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WAGE SUBSIDY

Jobs in construction to get a boost, formal sector downbeat

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The government's fresh stimulus package focuses on boosting jobs in the economy, with measures to incentivise private sector hiring and increased allocation towards government schemes.

The government announced the 'Atmanirbhar Bharat Rozgar Yojana (ABRY)' to subsidise Employees' Provident Fund (EPF) contribution for jobs created between October 2020 and June 2021, with an allocation of ₹36,000 crore (of which ₹6,000 crore will be spent in this fiscal year, or FY21).

The government increased the budget allocation towards the Pradhan Mantri Awas Yojana (PMAY) by over three times to ₹26,000 crore, from the present ₹8,000 crore in FY21. This is expected to generate 7.8 million jobs in the construction sector — a key driver of jobs in the non-farm sector, especially in villages.

Further, the budget allocation towards the Pradhan Mantri Garib Kalyan Rozgar Yojana (PMGKRY) has also been increased by ₹10,000 crore in FY21 — a scheme aimed to provide jobs to migrant workers who returned to villages. The PMGKRY, which is a convergence of several government schemes, including the Mahatma Gandhi National Rural Employment Guarantee scheme, is being implemented in 116 districts across six states that saw the highest reverse migration of workers.

Experts said the measures will bolster jobs in the construction sector but job additions in the formal sector may not be as significant due to a contraction in economic activities being witnessed at present.

"Focusing on the construction



JOB BOOST

Atmanirbhar Bharat Rozgar Yojana

The government announced a scheme to subsidise Employees' Provident Fund contribution for firms, which will cover new employment and workers who exited from the EPF scheme between March and September. The government allocated ₹36,000 crore towards the scheme; when it spent ₹8,300 crore towards a similar scheme from 2016-19, which benefitted 12.2 million workers

sector is a major boost as demand for housing has strong linkage to job creation, especially in rural areas where it is labour-intensive as against in cities where construction is more capital-intensive. Though the quality of employment generation in the construction sector remains poor in the long run, it's an important measure in the ongoing pandemic," Indian Council for Research on International

Exits from EPFO: Total 2,934,719

March	199,598
April	570,891
May	701,436
June	708,813
July	508,122
August	245,859

Rural jobs: Additional ₹10,000 crore allocated towards PM Garib Kalyan Rozgar Yojana which has generated 250 million person-days of employment

Construction: Government expects additional 7.8 million jobs through an increased allocation of ₹6,000 crore, up from ₹8,000 crore, towards Pradhan Mantri Awas Yojana

Source: Finance Ministry

Economic Relations (Icrier) fellow Radhicka Kapoor said.

Kapoor, who has done extensive research on the previous EPF subsidy scheme, said she didn't expect a boost in formal sector jobs from a similar scheme announced at this juncture. "The overall mood in the economy is that of recession and there is no incentive to hire unlike in the past when the Pradhan Mantri Rojgar

Protsahan Yojana (PMRPY) worked well for formal sector job creation. The PF contribution covers only a small portion of the wage bill of employers," she added.

This scheme is, however, a significant improvement from the previous EPF subsidy scheme announced in March when the government had decided to only foot the EPF contribution of firms with up to 100 workers and where 90 per cent of the workers earned up to ₹15,000 per month.

The present scheme, similar to the Pradhan Mantri Rojgar Protsahan Yojana which was in place from 2016-19, will cover all establishments up to 1000 workers. Those with above 1,000 workers will only be able to seek subsidy for the employer's share of PF contribution.

Under the ABRY scheme, all workers with monthly wage up to ₹15,000, who were never a part of the EPF schemes in the past, and those who lost their job during the pandemic (between March and September 2020) will be eligible for the scheme. At present, both employers and employees contribute 12 per cent each of a worker's wage towards schemes under the EPFO. The government will sponsor both the employer's and employee's share for firms. "About 65 per cent of workers under the formal sector and over 99 per cent of the establishments in the country will be covered under the scheme," Finance Minister Nirmala Sitharaman said, while making the announcement.

A critical aspect of the scheme is employers will have to add at least two new employees if they have total workforce of less than 50 and employers will have to hire a minimum of five new employees if their workforce is more than 50.